International Market Update

Global stock markets have generally declined even more than U.S. stocks since the S&P 500 posted its all-time high on 2/19/2020. Despite its recent rally, the S&P 500 remains 13.2% below its February high, while developed markets outside the U.S. (IDEV ETF) are down -16.8% and emerging markets (EEM ETF) are down -15.4%.

MARKET PERFORMANCE SINCE S&P 500 PEAK
2/19/2020–PRESENT

Past performance is not indicative of future results. All returns are shown in U.S. dollars.
Data from 2/19/2020–4/29/2020.

Sources: BlackRock, S&P Dow Jones

Interestingly, markets closest to the epicenter of the COVID-19 pandemic have tended to do better than other international markets and even better than the S&P 500 since February 19. For example, Chinese shares (FXI ETF) have outperformed both international markets overall and the S&P 500 since February, as the coronavirus outbreak that began in Wuhan appears to be contained. China remains an economy with good long-term growth potential, and many Chinese companies offer attractive growth opportunities. Similarly, Hong Kong stocks have generally outperformed both international markets and the S&P 500, as well, since 2/19.

Additionally, Japanese stocks (EWJ ETF) have outperformed during the downturn, falling -7.3% since 2/19. The Japanese yen has been resilient in the face of global risk aversion, which has clearly benefitted the Japanese stock market. Also, many Japanese companies have very strong balance sheets, and they are experiencing positive secular trends in profitability resulting from improvements in corporate governance.

The COVID-19 epidemic is far from over, but the positive relative performance of some major Asian markets is an encouraging sign of the long-term potential of selected international markets.

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REFERENCED INDEX

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S&P 500 Index—The S&P 500 Stock Index is a market capitalization weighted index and consists of 500 stocks chosen for market size, liquidity and industry group representation.